

CHRISTMAS 1965



President J. N. LAWRENCE



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International Banknote Society



President: J. N. Lawrence

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Gold Yuan Issues of the Central Bank of China

by A. J. Sullivan (U.S.A.)

Exactly one month before the introduction of Gold Yuan, on July 18th, the final and highest denominations of the Custom Gold Units (C.G.U.) were issued. This issue of C.G.U. 10,000, 25,000, 50,000 and 250,000 was a final desperate effort to supply sufficient banknotes to keep pace with a monetary inflation which was now completely out of control. In 1942 the C.G.U. had been set at one C.G.U. to equal \$20 fa-pi (national-dollars), thus a measure of the severity of the inflation can be seen in that the highest denomination was equal to \$5 million fa-pi.

Radical steps were obviously called for, and the Kuo Min Tang government responded on August 19th, 1948, by introducing a completely new currency—the "Gold Yuan". Presumably to bolster sagging public confidence in the national monetary system, this new currency was to be based on metallic reserves of 40% and the remaining 60% to be in securities. Additional promises were made, namely that no note over GY 100 would be issued and that the total issue would not exceed 2 billion dollars. By November, three months after their introduction, most of these promises had been broken, and the Gold Yuan were well on their way to heights that would by far surpass even the ill-fated C.G.U.

The exchange of old fa-pi notes was at the ratio of 1 GY to equal 3 million fa-pi yuan, and the initial emission on August 19th, 1948, was in the denominations of 10c., 20c., 50c., \$1, 5, 10, 20, 50, and 100. Some of these notes were dated 1945 and printed by the American Banknote Company. Presumably they had been held in storage, and the subsequent inflation had made their low denomination valueless, until the new GY reform. Thus the above issues dated 1945 and 1946 do not contain the wording "Gold Yuan", but only yuan or cents depending on the denomination. Nevertheless, all were officially issued as Gold Yuan.

As inflation progressed, larger denominations became imperative and in March of 1949 the final reform regulation went out of the window, namely, that no note over GY 100 denomination should be placed in circulation, when GY 500 and 1,000 notes were issued. About two weeks later on April 1st GY 5,000 and 10,000 were placed in circulation, but even this proved insufficient for on April 30th GY 100,000 and on May 6th GY 500,000 were issued. By this time even large denominations could not keep up with the demand. New printing presses had been ordered in

Shanghai and had arrived at about the same time that Gold Yuan had been introduced. These were now all put to full use and by April the Central Printing Factory had over 4,000 men working in five different factories in the production of GY 100,000 and 500,000 denominations. Other printing establishments employed about 3,000 more men, and between them during the period that we are discussing, 10,000 tons of banknote paper was ordered and consumed.

The majority of the Gold Yuan notes have been listed and described by Mrs. Hill in an article in Vol. 5, No. 2 of the Maryland Foreign Paper Money Club Journal. Therefore, I will do no more here other than to list the denominations and varieties that were issued.

Denomination	Kinds	Date	Printer
10c.	1	1946	Thomas de la Rue & Co.
20c.	1	1946	Thomas de la Rue & Co.
50c.	1	1948	Central Printing Fact.
1	1	1945	American Banknote Co.
5	1	1945	American Banknote Co.
10	3	1945	American Banknote Co.
10	1	1948	Central Printing Fact.
10	1	1948	Chung Hwa Book Co.
20	1	1945	American Banknote Co.
20	1	1948	Central Printing Fact.
20	1	1948	Chung Hwa Book Co.
50	3	1945	American Banknote Co.
50	1	1948	Central Printing Fact.
50	1	1948	Ta Tung Book Co.
50	1	1948	Chung Hwa Book Co.
100	2	1945	American Banknote Co.
100	1	1948	Central Printing Fact.
100	1	1948	Chung Hwa Book Co.
100	1	1949	Central Printing Fact.
100	1	1949	Ta Tung Printing Co.
500	1	1949	Central Printing Fact.
500	1	1949	Chung Hwa Book Co.
1,000	2	1949	Chung Hwa Book Co.
1,000	1	1949	Central Printing Fact.
5,000	2	1949	Central Printing Fact.
5,000	1	1949	Chung Hwa Book Co.
10,000	1	1949	Chung Hwa Book Co.
10,000	1	1949	Central Printing Fact.
50,000	2	1949	Central Printing Fact.
100,000	1	1949	Central Printing Fact.
100,000	1	1949	Chung Hwa Book Co.
500,000	1	1949	Central Printing Fact.
500,000	1	1949	Chung Hwa Book Co.
1,000,000	1	1949	Chung Hwa Book Co.
5,000,000	1	1949	Chung Hwa Book Co.

In addition to the above, the Foochow branch of the Central Bank of China in Fukien Province also issued Gold Yuan notes at the end of April, 1949. These notes were printed specifically for the Foochow branch, and all the notes of this particular series that I have seen have been in vertical format with no printing or design on the reverse. These notes are all extremely rare, and undoubtedly the following list is incomplete:—

GY 1,000, 20,000, 30,000, 40,000, 50,000, 100,000
and 500,000.

On May 25th Shanghai fell to the advancing Communist armies, and the Nationalist army started its flight to the South where on July 4th, 1949 the Central Bank of China in Canton issued new paper money in the form of Silver Dollar Certificates; but not before the Chung Hwa Book Company made its final emission of a one million and an incredible five million gold yuan note.

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The "GEM" in Chinese History— The Chinese Revolutionary Bonds

by K. Mao (Hong Kong)

In 1905 Dr. Sun Yat Sen founded Confederacy Society of China in Japan to start his revolution which ended the Ch'ing Dynasty. The Ch'ing Government then asked the Japanese Government to arrest Dr. Sun and send him back to China. However the Japanese Government sympathised with Dr. Sun and notified him secretly and helped him to escape to Vietnam (known as French Indo-China at the time). In Vietnam Dr. Sun planned with his followers as to how to raise a fund to finance the revolution. Their decision was to issue bonds of total amount 10,000 thousand Viet-

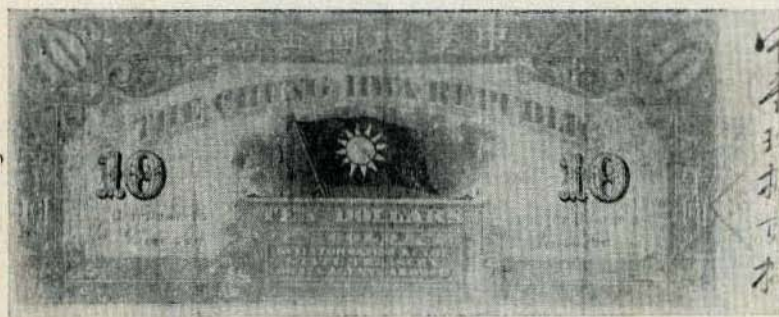


namese dollars under the authority of the Chinese Revolutionary Government (or Government Revolutionnaire Chinois in French). The value of each note was to be \$100. The notes were printed in Vietnam and issued on 1st January, 1906. The obverse is printed in English and the reverse in French. The note was signed by Dr. Sun as Prime Minister. They were carried to various countries and sold to patriotic overseas Chinese. They were decided into three different types.

- (a) Those without green seals for sale overseas.
- (b) Those with the chop "Chinese Revolutionary Army note —100 Yuan" for use as Military Notes.
- (c) Those with the chop "Chinese Commercial Currency note —100 Yuan" for sale inside China.

The (b) and (c) types were smuggled into China and were used by Commander Li Yuan Hung (later elected the third President of the Republic of China) after his successful uprising in Wu Pei Province.

In 1911 Dr. Sun issued a second lot of Chung Hwa Republic Bond in San Francisco. This time there are three face values: \$1,000, \$100 and \$10. The note was signed by Dr. Sun as the Prime Minister and Lee Kung Sh'ia, the treasurer of the Chinese Revolutionary Army Supply Bureau. The notes were issued under four regulations suggested by Dr. Sun:—



- Item 1.** The notes will be used to pay, in double, pledges of over U.S. \$10—and the holder can demand from the Government an equivalent amount of silver after the establishment of the Republic.
- Item 2.** Person pledging more than U.S. \$100—will be awarded a merit beside the advantage of Item 1 and person pledging more than U.S. \$1,000—will be awarded a distinction. After the establishment of the Republic. These merits and distinctions will be rewarded accordingly.
- Item 3.** Persons awarded distinctions can apply to the Republic for priority in starting industries.
- Item 4.** The above regulations only apply for pledges before the revolution is started. Pledges after the revolution will be treated according to Republic Ammunition and Supplies Regulation.

Redemption of the Bonds

In the fifth National Meeting in September, 1935, it was decided to redeem all the bonds issued by the Revolutionary Army. In the sixth National Meeting a special committee was formed to undertake the job of redeeming the bonds. In February, 1936 the Republic Treasury issued a universal bond in exchange for all the various bonds issued by the Nationalist Party. Holders of the above two kinds of bonds could also exchange their bonds for this universal bond and not so many of them are left now. The Communist Government treasures these bonds as they are important material in the study of the Chinese Revolution. So far as the author knows, there are now two copies in the Dr. Sun Memorial Building in Canton, a silver 100 yuan and a Chung Hwa silver note 100 yuan. There is also a copy in the Shanghai Museum and a copy in the Peking Museum.

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The Yorkshire District Bank and the Norris of Halifax

by Leslie Morgan

The Yorkshire District Bank was founded in 1834 and the Head Office was in Leeds. The capital in 1837 amounted to £389,985 and had 19 branch offices and during the nine years of its existence—it failed in 1843—absorbed the private banks of Perfect & Co. of Leeds and Pontefract, Coates Meek and Carter of Knaresborough and Joseph Dresser & Co. of Thirsk.

A very reprehensible practice was an inducement held out in the prospectus of many banks in the form of promises of loans in a definite proportion to the shares held. Thus the Yorkshire District Bank had the following clause:—

“That any shareholder will be entitled to a cash credit to the extent of two-thirds of his Paid Up Stock upon producing and lodging his Share Certificate.”

There is naturally a great deal of difference between

- (a) Having a lien on the shares of a proprietor, and
- (b) Advancing cash up to one-half or two-thirds of the amount paid on the shares.

The clause resulted frequently in disaster to the Bank which adopted it.

The Bank opened a branch in Halifax in 1834 and the Manager was one Andrew McKean whose signature appears on the Bankers Draft illustrated herein and in the possession of the writer. The draft was drawn on Williams Deacon and Co. who are still in existence and now known as Williams Deacons Bank.



The draft was payable to James Edward Norris (1793–1842). He was a Notary Public and was one of the Managers of the Halifax Parish Bank for Savings. In 1823 he applied for—and obtained—the position of Solicitor to the Calder and Hebble

Navigation Company. When the Yorkshire District Bank was formed in 1834 with a proposed capital of £500,000 in £10 shares, application could be made to Mr. Norris. In politics he was Conservative and in religion he was Anglican (Church of England). He must at one period have been secretary to the Lord Bishop of Ripon for in the writer's possession is a letter from the Bishop of Ripon (Rt. Rev. C. T. Longley) to Archdeacon Musgrave, Vicar of Halifax, concerning the consecration of two churches in the Halifax Parish and requesting that Mr. Norris make the necessary arrangements.

His eldest son was also called James Edward. He was a Freemason, joining Probity Lodge in 1847; he resigned at a later date, for in 1853 he rejoined the Lodge. Like his father he was a solicitor. From 1864 until 1871 he was Town Clerk of Halifax. In later years he moved to Hereford where he became a Deputy Lieutenant and a Justice of the Peace.

Bibliography:

- "The Genesis of Banking in Halifax", H. Ling Roth, 1914.
"The Norrises of Halifax", by Rowland Bretton, F.H.S.
Proceedings of the Halifax Antiquarian Society, 1962.

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The Federal Reserve System of the United States

A Brief Sketch

by Richard A. Banyai

The establishment of the Federal Reserve System marked the culmination of years of agitation for improved banking facilities and practices. The Aldrich-Vreeland Act of 1908 was most important to the establishment of the Federal Reserve System. Essentially the Federal Reserve System is the U.S. central bank. As is true with most nations today, the central bank is an indispensable part of the economy.

Upon the passage of the Federal Reserve Act of 1913, twelve districts were established and placed under the control of the Board of Governors of the Federal Reserve System in Washington, D.C. These districts, numbered from one to twelve, are as follows: Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco. In addition each district has branches in major financial areas, e.g. district twelve, San Francisco, has branches in Los Angeles, Portland, Salt Lake City, and Seattle.

Each Federal Reserve district is a separate corporation in which only member banks in the district are allowed to own stock.

Membership is mandatory for all banks chartered under provisions of the National Banking Act. These banks use the word "National" in their name, e.g. Valley National Bank, First National Bank. In addition state chartered banks are invited to join if they can pass an entrance examination.

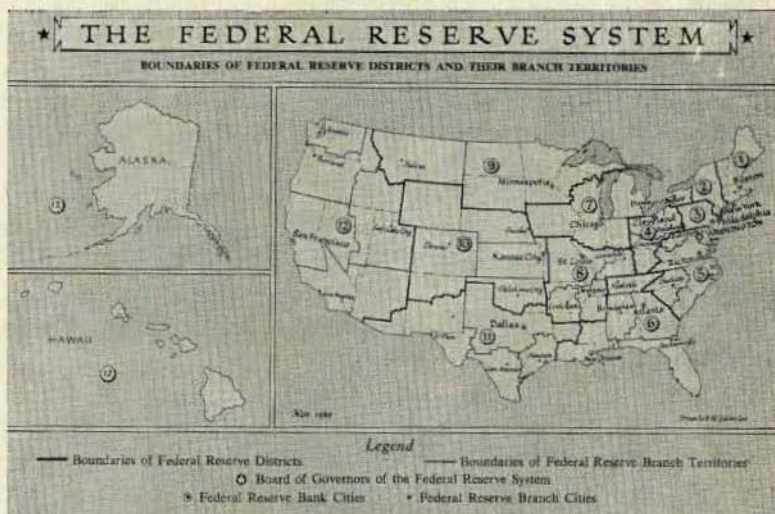
There are three main purposes for the "Fed" (Federal Reserve System). These are:—

- (1) To hold and manage member bank reserves. Each member bank is required to maintain its legal reserves at the regional Federal Reserve Bank.
- (2) To issue currency. Because central banks are focal points in our cash distribution system, it is necessary for them to keep large stocks of currency on hand at all times. The monetary stocks are derived from the following:
 - (a) From "Fed" agent who supplies Federal Reserve notes upon pledging of specified collateral.

- (b) From member banks who return unneeded currency to the Reserve Banks.
 - (c) From Treasury Department which deposits with Reserve Banks gold and silver certificates, United States Notes (Greenbacks), silver coins and other types of government minted or printed currency.
- (3) To act as fiscal agent for the National Government:
- (a) Serve as depositories for United States funds.
 - (b) Act as agents of United States Government in issuance and redemption of securities and in servicing payment of interest thereon.

The "Fed" has three main controls which it uses to carry out its monetary policy. These controls are:—

- (1) Reserve requirements. This is a fairly effective way of controlling credit expansion during the upswings and downswings of the business cycle (trade cycle).
- (2) Rediscount rate. When member banks borrow from the "Fed" their demands can also be controlled by the "Fed's" raising of the discount rate or so to speak interest on borrowed funds. A high enough rate can discourage borrowing and a low enough rate can encourage borrowing.



- (3) Open Market Operations. This is the policy which is the most effective in reducing or increasing member bank reserves. The "Fed" markets, through select brokerage houses, securities to the member banks in order to reduce

their reserves and thus tighten credit. On the other hand, the "Fed" can purchase securities from member banks and thus add to their reserves increasing the tendency toward credit expansion.

This is a brief statement about the Federal Reserve System and the ways in which it aids the U.S. national economy.

The various other Central Banks, e.g. Bank of England, Bank of France, Deutsche Bundesbank, all have similar roles in their respective economies.

It is of the essence that paper currency enthusiasts know something of Central banking as background knowledge for their hobby.

For a more extensive elaboration of the history and operations of the United States Federal Reserve System the following bibliography is given:—

"The Federal Reserve System: Purposes and Functions", by Board of Governors—Washington, D.C. 1963.

"Techniques of Monetary Control", by Ascheim—John Hopkins University Press, 1961.

"The Federal Reserve on Record", by Eastburn—Federal Reserve Bank of Philadelphia, 1965.

"A Half-Century of Federal Reserve Policymaking, 1914-64", by Anderson—Federal Reserve Bank of Philadelphia, 1965.

Results

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150	12 ...	2.00
2 ...	1.50	13 ...	1.00
3 ...	1.75	14 ...	2.50
4 ...	1.00	15 ...	1.15
5 ...	1.50	16 ...	1.00
6 ...	4.50	17 ...	3.00
7 ...	4.00	18 ...	6.50
8 ...	3.50	19 ...	3.50
9 ...	6.00	20 ...	5.00
10 ...	3.00	21 ...	2.50
11 ...	2.50		

FORGERY AND HANGING

In 1819 when a man was hanged for imitating a bank note, the Society of Arts was moved on humanitarian grounds to publish a report, prepared by a special committee, "relative to the mode of preventing the forging of bank notes".

"The rapid increase during the last three or four years of convictions before the criminal courts for the circulation of forgeries of the Bank of England notes, is such as to have made a very serious impression on the public mind." It comments on "the increasing reluctance of Juries to visit with the extreme penalty of the law a crime for the prevention of which no successful precautions have apparently been taken". The terms of reference of the committee therefore were "to enter upon an investigation for the purpose of ascertaining whether there may exist any means within the compass of the fine and mechanical arts, not of totally preventing the forging of bank notes but of increasing the difficulty of imitation and thus of checking the prevalence of the crime".

Apart from an unjustified optimism in the immunity of the stereotyping process from imitation, the Report is of great interest, and the committee finally pressed for the immediate adoption of a complicated design, engraved for intaglio printing by one of the best artists of the day. As an indication of the demand for the engraving process at that time the committee states: "There are not less than 10,000 persons in the country who are able to engrave successful imitations of Bank of England Notes, and nine-tenths of these are in needy, and many of them in distressed, circumstances." It went on to argue that if the designs were so altered that they were no longer "the common place work of inferior writing engravers (who are so numerous) but became masterpieces of the best engravers (who are so few) they would pass beyond the scope of common forgery".

The President's Corner

By the time you receive your copy of this journal—another year has almost ended—and our Society has improved its membership by a great many new members. This I put down on record to all the good hard work by our officers and members, who have done a great job during the year 1965.

I would like through my office of President of the I.B.N.S. to specially thank the "Coin World" and the Canadian "Coin News" for all their help in putting us in the news. Keep up the good work fellows. We are now the largest "International" club of paper money collectors—let's keep it so.

Perhaps a bit premature to think of New Year Resolutions, but I have thought of mine and I intend keeping them to the best of my ability for my remaining months of office in 1966. Most important I feel is the need to make our magazine more interesting to our members. A good commencement would be further views from members on the "Pen Picture" idea, i.e. a brief concise biography from each member on himself and his collection, how he started, how many notes, etc., etc.

Secondly, I have resolved to contact more members by personal letter asking them to contribute articles to the magazine. Ideally our editor (bless his heart) should have a stock of such articles from which he can pick as many as he wishes for each issue, instead of begging the one or two regular writers.

Another idea I am chewing at the moment is a form of "chain letter". Any member can start this simply by choosing about 10 names from our Membership Directory, then sending off say 15 notes and enclosing the 10 addresses; the first member will receive this letter and choose any note or notes he requires. He will replace as many as he has taken, plus two as a token of goodwill. He will then send them on to the next name on the list. So it will go on and on. But one thing, do not forget to add your name to the bottom of the list or you will never see the notes again.

During the month of October, over 4,000 of my notes were on exhibit for 14 days in the National Museum, Bloemfontein, O.F.S. The attendance was good all through the exhibition and paper money collecting had a good "boost" through the talk I gave on the radio through the South African Broadcasting Corporation and all the pictures and articles that appeared in both the local newspapers.

Great interest was shown by the public in two of my frames—one being the Chinese "Ming" note and the other a visual picture story made up of paper money on love, marriage, and war.

I would now like to wish all our members, their good wives and their families, a Merry Christmas and a Prosperous New Year. May our bank note hunting bring you great joy and many hours of happy times in 1966.

Jimmie N. Lawrence.

ROUND AND ABOUT

by C. C. Narbeth

Enormous strides have been made in the world of paper money collecting and it is now apparent that the hobby is not only here to stay but is showing a marked increase in popularity—which, of course, is reflected in the price of collectors' items.

As the New Year gets under way it looks as though those collectors who have been busily engaged in the hobby for the last five or ten years are going to find they are sitting on quite an investment as well as an absorbing pastime.

A few years ago the Theresienstadt Concentration Camp notes—full set in mint condition—could be picked up for the proverbial song. They fetched a dollar or so on the strength of their novelty. But today they appear, occasionally, in auctions and go under the hammer for as much as £8. This trend is also reflected strongly in the early issues of the world's paper money. It has suddenly, apparently, been realised that those early notes of Portugal, Norway and so on, exist only in hundreds, not in hundreds of thousands. Try and pick up a Ming note today. I can remember when £10 was considered a top price for them. If you get a chance to buy one now the figure is nearer £30—but so few exist this side of the Chinese world that the difficulty is not so much that of finding £30 but of finding someone with a Ming note to sell!

Research into the history of paper money has been intensified, particularly in the specialist spheres of World War II and the Orient. As new publications come onto the market so the appetite for more literature grows. The overall effect of all this is that the numismatic world in general can no longer ignore the paper money specialist. More and more, coin magazines are carrying articles on paper money. New books on coins are beginning to carry the odd chapter on paper money.

And, of course, the paper money clubs are gaining in strength. The International Banknote Society is now in a stronger position than it has ever been before.

Last year the Society published its first complete membership directory and, in order to keep this up-to-date, members are invited to write to the secretary or the editor giving a two or three hundred word description of their collecting preferences and about themselves, together with a photograph of themselves. Also the Society badly wants some articles from members. Apart from a few old faithfuls we seldom get articles by the general membership. Particularly we would like some articles on American paper money and, with the very large American membership, this should not be too difficult!

NOTES ON THE JAPANESE MILITARY YEN

by the late E. Kann

Let it first of all be determined that the military scrip was the money of Armageddon. It served to finance Japan's wars and was employed abroad, and not in the home country. Warfare, as well as preparations in this direction, were always considered "top-secret" in Japan; and therefore there is but little—if any—official information available on the subject, especially on the volume of circulation adjunct to World War II.

Actually, military scrip has been used by Japan for centuries in various disguises. But it happened during the Russo-Japanese War of 1904-05 for the first time that military yen was employed in a modern sense. Actually one could witness the circulation of such scrip already ten years earlier, namely in the Sino-Japanese war of 1894-95, when military yen 10,000,000 were placed into circulation, to serve side by side with Chinese and Japanese money. To be more exact, 10 million worth of military yen was printed, though only yen 3,700,000 was handed over to the army. And only a portion of this comparatively small sum was channelled into traffic, because hostilities came to an end before larger amounts could be circulated.

When the Russo-Japanese war broke out in 1904, it found military scrip ready, for the army authorities had made pertinent preparations well ahead of time. The initial sum estimated to be needed then was yen 100 million. But this sum turned out to be an error of judgement, for the necessity to increase this sum considerably, soon became apparent. After the war withdrawal of military scrip set in, but finally the National Treasury charged the Yokohama Specie Bank with handling the then still outstanding balance of 148 million military yen.

In World War I Japan was on the side of the Allies. However, she did not actively participate in the fighting in Europe, limiting her actions to investing the German colony of Tsingtao (Shantung). This comparatively short action did not necessitate large funds. Therefore the comparatively small total of military yen 18,810,000 was readied, though merely yen 2,960,000 entered circulation. In 1919-20 Japan sent a military expedition to Siberia and financed same by preparing an emission of military yen 30 million; of this yen 21,430,000 actually was issued on Russian territory.

Preceding World War II, Japan in 1937 made war on China. In North China Bank of Japan and Bank of Chosen notes were expended. Possibly because Japan deemed North China (bordering on Manchuria) as the practically owned domain of Dai Nippon. But, upon landing in the Bay of Hangchow in Central China, the army and navy immediately paid out military yen for goods and services. In order to avoid a strain on regular issues by the Bank of Japan, military yen (which needed no specific reserves) suddenly became the fashion. The move was equally shared by South China under duress, as soon as the south was brought under the heel of Japan's military might.

Although Japan's motto in 1938 was "Force", her Government remained fully alive to the desirability of hedging on some support. The latter could have consisted of (1) gold and silver; (2) foreign exchange; (3) goods; (4) compulsory authority. The first possibility could be ruled out from the start, due to the inavailability of precious metals. Foreign exchange could perhaps be obtained from exports of Chinese produce, provided the latter was concentrated at Shanghai, where the Japanese could control it and ship it out. This was not a reliable means for success. As regards goods: Japan had no superfluity of goods, the value of which would be able to serve as a prop to the military yen. By that time Japan was in a dilemma regarding the export from Japan of commodities to China, for that country could have paid only in Chinese paper currency, or in yen-linked money; and both of these were highly uninteresting. So, Japan had to discard her fixed foreign trade policy to remedy conditions. In the event of the armed forces invoking compulsory authority, it would have been necessary to prevent Japanese yen currency from flowing into Central and South China. This fourth alternative actually constituted the mainstay of the military scrip problem.

In March, 1938, the Federal Reserve Bank was established in North China; in January, 1941, the Central Reserve Bank of China was opened in Central China. Both were puppet institutions under Japanese control; and both had the privilege of issuing notes in Chinese currency. This fact was sure to create colliding interests. China's masses adhered to the fa-pi, but gradually the two new government banks found means to force their issues upon the market. Thus there was not enough room for four currencies permeating the market simultaneously. For a comparatively long period they did circulate side by side in China, but in 1943 the need for withdrawal of the military yen, which after all was a foreign currency, became necessitous.

In passing it might be mentioned that military scrip was not a typical Japanese system of financing wars, for in World War I Germany and Austria issued such paper in numerous countries which they occupied before being forced out by their collapse.

Paper Money in Chinese Dependencies

Chinese Turkestan (Sinkiang)

This outlying region originally was on a metallic basis. The enormous distance of the domain from China, proper (it took from four to six weeks to reach the capital from Central China) made the control of administrative affairs very difficult and almost impossible. The isolation of the New Dominion from the outer world; its undeveloped resources; its heterogeneous population consisting of warlike tribes—all had a derogatory influence on the development of the province. Under such conditions, it will be understood that paper money was unknown and not understood by the primitive masses of Sinkiang. The people insisted on silver in the shape of bars or ingots, as well as minted tael coins.

Poor Government, frequent wars and bad crops were responsible in the course of years for the outflow of silver from Turkestan, so that in the end only copper remained. But even the copper coins went out with the tide in settlement of goods imported. In the end paper was introduced, and in the same measure as its circulation increased, did its value sink. Depreciation caused by lack of metallic reserves set in and widened from month to month.

As to monetary conditions as they prevailed in Chinese Turkestan in 1935, the following details will prove of interest:—*

*See "More About Sinkiang", by M. M. Feldman, in the "Chinese Economic Journal" for May, 1935.

The Provincial Treasury had three emissions of paper money, namely for Urumchi (Tihwa), Kashgar and Kouldja; all three were inconvertible. The highest denomination of Urumchi money was 1 tael, followed by a 25-fen and a 10-fen note printed on Chinese oil cloth.

The more valuable Kashgar currency consisted of 1 "Saer" (the Turki name for tael) paper note. The higher value of the Saer was due in part to the existence of some silver coins, and mainly to the favourable trade balance of the district.

As bank deposits were unknown in Sinkiang, and as the wealthier classes would not hoard paper money, the latter was frequently in circulation. Paid out by the Provincial Treasury for salaries and other expenditure, it served as a medium of exchange and finally flowed back to the Treasury for taxes and other dues. In this manner, Sinkiang had a quasi "managed" currency system, though one which failed to work systematically or satisfactorily.

In 1935-36 only, tael notes in denominations of 50 taels were in circulation in the greater part of the province; and 5-tael notes in the Kashgar area. The amount issued is undeterminable.

As to the depreciation of these notes, a newspaper report of June, 1934, stated that officials in Sinkiang getting 5,000 taels in notes salary per mensem were still asking the Government for financial assistance. Banknotes there had fallen in value to such an extent that 100 taels in notes were worth 1 Chinese dollar.

From about 1902 to 1926, the Russo Chinese Bank (after 1910 re-named Russo Asiatic Bank) had branch-offices in Urumchi, Kashgar and other places in Sinkiang. But thereafter the territory remained without banking facilities. Since 1874 Kashgar had been minting silver coins in tael denominations, all of which also divulged Turki inscriptions. During the first decade of the 20th century Urumchi also minted silver tael coins. Both places were responsible for the production of numerous copper coins. But due to maladministration, metallic money disappeared completely from the market and was replaced by paper money, largely printed in the capital Urumchi.

Strange as it might seem, such fiat money, although without metallic reserves and without value, proved a stable medium of exchange. In the remaining provinces of China paper money throughout centuries was most harmful to the economic fabric of the nation, due to its depreciation. But in Turkestan, at least until 1930, the situation was stable. To which factors is this to be ascribed? As already pointed out, the territory of Sinkiang was without banking facilities; therefore officials could not remit their "profits" to other countries. Due to this fact, the exchange equilibrium remained undisturbed. In the end the officials did find means and ways to transfer their extra-savings abroad, mainly by actively engaging in foreign trade and shipping goods abroad, proceeds of which were to be placed to their credit in other countries.

Paper money remained fairly steady in Sinkiang in 1930. But when, in the following year, serious revolts broke out there, confidence in paper collapsed. A heavy break manifested itself with results analogous to those previously witnessed in China, proper.

WHAT DOES MFPMC MEAN?

It means Maryland Foreign Paper Money Club

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